

**TIBET HOUSE, INC.**  
**FINANCIAL STATEMENTS**  
**AND AUDITOR'S REPORT**  
**DECEMBER 31, 2016 AND 2015**

**TIBET HOUSE, INC.**

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## **Independent Auditor's Report**

**Board of Directors  
Tibet House, Inc.**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Tibet House, Inc., which comprise the balance sheet as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tibet House, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Loeb & Troper LLP*

November 7, 2017

## TIBET HOUSE, INC.

## BALANCE SHEET

DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,316,760	\$ 1,231,458
Investments (Note 3)	599,371	546,130
Accounts receivable	25,909	309,270
Contributions receivable	178,214	82,106
Inventory	191,221	160,413
Prepaid expenses and other assets	<u>30,593</u>	<u>29,113</u>
Total current assets	2,342,068	2,358,490
Fixed assets - net (Note 4)	<u>4,302,870</u>	<u>4,424,549</u>
Total assets	<u>\$ 6,644,938</u>	<u>\$ 6,783,039</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 92,812	\$ 75,175
Deferred revenue	54,713	2,644
Mortgage payable (Note 6)	<u>9,849</u>	<u>9,347</u>
Total current liabilities	157,374	87,166
Mortgage payable (Note 6)	<u>47,785</u>	<u>58,178</u>
Total liabilities	<u>205,159</u>	<u>145,344</u>
Net assets (Exhibit B)		
Unrestricted	6,423,672	6,497,340
Temporarily restricted (Note 5)	<u>16,107</u>	<u>140,355</u>
Total net assets	<u>6,439,779</u>	<u>6,637,695</u>
Total liabilities and net assets	<u>\$ 6,644,938</u>	<u>\$ 6,783,039</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## TIBET HOUSE, INC.

## EXHIBIT B

## STATEMENT OF ACTIVITIES

## YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues						
Program income	\$ 752,141		\$ 752,141	\$ 655,473		\$ 655,473
Membership fees	72,259		72,259	78,854		78,854
Store sales	\$ 102,882		\$ 102,882	\$ 74,686		\$ 74,686
Cost of sales	(24,551)		(24,551)	(42,419)		(42,419)
Rental income	1,044,421		1,044,421	1,019,539		1,019,539
Contributions	203,791	\$ 20,000	223,791	222,916	\$ 391,500	614,416
Investment income (losses) (Note 3)	46,428		46,428	(36,854)		(36,854)
Special events	624,396		624,396	650,082		650,082
Less: direct costs of special events	(196,674)		(196,674)	(147,763)		(147,763)
Miscellaneous	10,185		10,185	9,026		9,026
Net assets released from restrictions (Note 5)	144,248	(144,248)		251,145	(251,145)	
Total revenues	<u>2,779,526</u>	<u>(124,248)</u>	<u>2,655,278</u>	<u>2,734,685</u>	<u>140,355</u>	<u>2,875,040</u>
Expenses (Exhibit C)						
Program services - cultural awareness	2,394,044		2,394,044	2,230,670		2,230,670
Management and general	226,006		226,006	235,952		235,952
Fund raising	233,144		233,144	316,833		316,833
Total expenses	<u>2,853,194</u>		<u>2,853,194</u>	<u>2,783,455</u>		<u>2,783,455</u>
Change in net assets (Exhibit D)	(73,668)	(124,248)	(197,916)	(48,770)	140,355	91,585
Net assets - beginning of year	<u>6,497,340</u>	<u>140,355</u>	<u>6,637,695</u>	<u>6,546,110</u>	<u>140,355</u>	<u>6,686,465</u>
Net assets - end of year (Exhibit A)	<u>\$ 6,423,672</u>	<u>\$ 16,107</u>	<u>\$ 6,439,779</u>	<u>\$ 6,497,340</u>	<u>\$ 140,355</u>	<u>\$ 6,637,695</u>

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The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016					2015				
	Program Services	Supporting Services		Direct Costs of Special Events	Total	Program Services	Supporting Services		Direct Costs of Special Events	Total
	Cultural Awareness	Management and General	Fund Raising			Cultural Awareness	Management and General	Fund Raising		
Salaries	\$ 776,167	\$ 22,747	\$ 59,912		\$ 858,826	\$ 706,606	\$ 24,298	\$ 55,582		\$ 786,486
Payroll taxes and benefits	102,735	3,922	10,329		116,986	91,583	4,236	9,690		105,509
	878,902	26,669	70,241		975,812	798,189	28,534	65,272		891,995
Occupancy	131,549	2,851	8,079		142,479	139,375	4,368	9,992		153,735
Supplies and equipment	378,409	2,395	32,978		413,782	332,997	1,715	50,209		384,921
Repairs and maintenance	23,536	760	2,152		26,448	70,161				70,161
Postage and shipping	13,804	193	3,700		17,697	25,246	501	11,877		37,624
Printing	17,150	725	9,888		27,763	20,633	1,632	19,223		41,488
Professional fees	392,595	61,291	59,633		513,519	365,217	71,240	104,006		540,463
Insurance	40,415	2,501	7,085		50,001	33,978	2,445	5,594		42,017
Advertising	39,770	328	1,054		41,152	43,663	748	4,211		48,622
Travel	51,693	505	19,143		71,341	46,259	118	7,826		54,203
Bank and credit card fees		122,083			122,083		95,911			95,911
Depreciation	180,981	1,851	5,243		188,075	151,613	15,752	29,535		196,900
Grants and donations	12,000				12,000	9,303				9,303
Facility maintenance	48,995	3,214	12,804		65,013	52,787	3,715	8,497		64,999
Event space rental and refreshments				\$ 196,674	196,674				\$ 147,763	147,763
Honorarium	178,351				178,351	139,284				139,284
Interest	2,978	331			3,309		3,814			3,814
Cost of sales	24,551				24,551	42,419				42,419
Miscellaneous	2,916	309	1,144		4,369	1,965	5,459	591		8,015
<b>Total expenses</b>	<b>2,418,595</b>	<b>226,006</b>	<b>233,144</b>	<b>196,674</b>	<b>3,074,419</b>	<b>2,273,089</b>	<b>235,952</b>	<b>316,833</b>	<b>147,763</b>	<b>2,973,637</b>
Less expenses deducted directly from revenues on the statement of activities										
Cost of sales	(24,551)				(24,551)	(42,419)				(42,419)
Direct costs of special events				(196,674)	(196,674)				(147,763)	(147,763)
<b>Total expenses reported by function on the statement of activities (Exhibit B)</b>	<b>\$ 2,394,044</b>	<b>\$ 226,006</b>	<b>\$ 233,144</b>	<b>\$ -</b>	<b>\$ 2,853,194</b>	<b>\$ 2,230,670</b>	<b>\$ 235,952</b>	<b>\$ 316,833</b>	<b>\$ -</b>	<b>\$ 2,783,455</b>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## TIBET HOUSE, INC.

## STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ (197,916)	\$ 91,585
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	188,075	196,900
Net unrealized/realized (gains) losses on investments	(31,444)	54,152
Decrease (increase) in assets		
Accounts receivable	283,361	(197,539)
Contributions receivable	(96,108)	(67,291)
Inventory	(30,808)	(16,459)
Prepaid expenses and other assets	(1,480)	(5,223)
Increase (decrease) in liabilities		
Accounts payable	17,637	1,163
Deferred revenue	52,069	(45,108)
	<u>183,386</u>	<u>12,180</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Fixed asset acquisitions	(66,396)	(16,151)
Proceeds from sale of investments		29,464
Purchase of investments	(21,797)	(194,562)
	<u>(88,193)</u>	<u>(181,249)</u>
Net cash used by investing activities		
Cash flows from financing activities		
Repayment of mortgage payable	(9,891)	(9,386)
	<u>(9,891)</u>	<u>(9,386)</u>
Net change in cash and cash equivalents	85,302	(178,455)
Cash and cash equivalents - beginning of year	<u>1,231,458</u>	<u>1,409,913</u>
Cash and cash equivalents - end of year	\$ <u><u>1,316,760</u></u>	\$ <u><u>1,231,458</u></u>
Cash paid during the year for interest	\$ <u><u>3,309</u></u>	\$ <u><u>3,814</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.



**TIBET HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**NOTE 1 - NATURE OF ENTITY**

Tibet House, Inc. is a not-for-profit organization whose purpose is to foster cultural exchange between Tibet and the western hemisphere, to promote awareness of Tibet and the Tibetan political, social, economic and cultural structure, and to provide charitable assistance to the Tibetan people. Tibet House, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Tibet House, Inc. is funded primarily by program income, rental income, contributions and special events.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting* - The financial statements are prepared on the accrual basis of accounting.

*Use of estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and cash equivalents* - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities, when acquired, of three months or less.

*Investments* - Investments are stated at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

*Accounts receivable* - Accounts receivable are primarily for rental of space and are recorded at net realizable value. Interest is not charged on outstanding receivables.

*Contributions receivable* - Unconditional promises to give cash or other assets that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All contributions receivable as of December 31, 2016 and 2015 are due within the current operating cycle.

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## TIBET HOUSE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Allowance for doubtful accounts** - Management determines whether an allowance for uncollectibles should be provided for accounts and contributions receivable. Such estimates are based on management's assessment of the aged basis of its accounts and contributions receivable, current economic conditions, subsequent receipts and historical information. Management has determined that an allowance for doubtful accounts is not required.

**Inventory** - Inventory is maintained for books and other cultural items held for resale. Inventory is recorded at the lower of cost (using the first-in, first-out method) or market.

**Fixed assets** - Fixed assets are recorded at cost. Items over \$1,000 with an estimated useful life greater than one year are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	28-40 years
Furniture and equipment	5-7 years

**Program income** - The Tibet House, Inc. program includes retreats and workshops sponsored by Tibet House and other like minded entities in Menla Mountain Retreat Center, various publications and in-house programs teaching about the Dalai Lama, meditation, yoga, Zen and other spiritual ideas. Program revenue is recognized at the time the program is held.

**Rental income** - The Tibet House, Inc. recognizes rental income once the space has been utilized under a signed contract agreement.

**Contributions** - Unconditional contributions are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Membership fees** - Tibet House, Inc. records membership fees when they are earned. Any payments received in advance that cover the subsequent period is recorded as deferred revenue.

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**TIBET HOUSE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements***

*Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Tibet House, Inc. has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 as compared to those used at December 31, 2015.

***Common stocks*** - Valued at the closing price reported on the active market on which the individual securities are traded.

***Mutual funds*** - Valued at the net asset value (NAV) of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Tibet House, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**TIBET HOUSE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Advertising material* - All advertising material is expensed in the year it is incurred.

*Grants and donations* - Unconditional grants and donations are expensed in the year awarded. Conditional grants and donations are recorded as expenses in the year the conditions are met. The continuation of conditional grants is subject to performance requirements.

*Functional allocation of expenses* - The costs of providing Tibet House, Inc.'s programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Unrestricted net assets* - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

*Temporarily restricted net assets* - Temporarily restricted net assets are those whose use by Tibet House, Inc. has been limited by donors to a specific time period or purpose.

*Reclassification* - Certain 2015 accounts receivable have been reclassified as contributions receivable.

*Uncertainty in income taxes* - Tibet House, Inc. has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2013 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through November 7, 2017, which is the date the financial statements were available to be issued.

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## TIBET HOUSE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

## NOTE 3 - INVESTMENTS

	<u>2016</u>	<u>2015</u>
	<u>Level 1</u>	<u>Level 1</u>
Mutual funds - domestic	\$ 211,425	\$ 206,471
Common stocks - domestic equities	<u>309,884</u>	<u>270,083</u>
Total investments reported on the fair value hierarchy at fair value	521,309	476,554
Cash equivalents	<u>78,062</u>	<u>69,576</u>
Total investments	<u>\$ 599,371</u>	<u>\$ 546,130</u>

Investment income (losses) consist of:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 14,984	\$ 17,298
Net unrealized gains (losses)	31,444	(55,174)
Realized gain	<u>          </u>	<u>1,022</u>
	<u>\$ 46,428</u>	<u>\$ (36,854)</u>

## NOTE 4 - FIXED ASSETS

	<u>2016</u>	<u>2015</u>
Land	\$ 466,719	\$ 466,719
Building and improvements	5,696,698	5,630,302
Furniture and equipment	<u>243,989</u>	<u>243,989</u>
	6,407,406	6,341,010
Less accumulated depreciation	<u>(2,104,536)</u>	<u>(1,916,461)</u>
	<u>\$ 4,302,870</u>	<u>\$ 4,424,549</u>

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## TIBET HOUSE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Internet and communications upgrade	\$ 16,107	\$ 57,960
Publication		<u>82,395</u>
	<u>\$ 16,107</u>	<u>\$ 140,355</u>

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following:

	<u>2016</u>	<u>2015</u>
Internet and communications upgrade	\$ 41,853	\$ 2,040
Publication	102,395	247,605
Other		<u>1,500</u>
	<u>\$ 144,248</u>	<u>\$ 251,145</u>

**NOTE 6 - MORTGAGE PAYABLE**

On May 25, 2011, Tibet House, Inc. obtained a mortgage for \$123,000 from Ulster Savings Bank. The principal is payable in 120 equal monthly installments of \$1,350 through June 2021, which includes interest at 5.75% per annum. On January 26, 2012, Tibet House, Inc. made a principal payment of \$15,000 on the mortgage. On April 10, 2012, Tibet House, Inc. refinanced the mortgage, receiving an additional \$5,631 to bring the new principal to \$99,000. The principal is currently payable in 120 equal monthly installments of \$1,062 through May 2022, which includes interest at 5.25% per annum. The mortgage balance as of December 31, 2016 and 2015 is \$57,634 and \$67,525, respectively. The mortgage is collateralized by property in upstate New York.

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**TIBET HOUSE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016 AND 2015****NOTE 6 - MORTGAGE PAYABLE (continued)**

Required payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,849	\$ 2,897	\$ 12,746
2018	10,379	2,367	12,746
2019	10,937	1,809	12,746
2020	11,526	1,220	12,746
2021	12,146	600	12,746
Thereafter	<u>2,797</u>	<u>60</u>	<u>2,857</u>
Total	\$ <u>57,634</u>	\$ <u>8,953</u>	\$ <u>66,587</u>

Interest expense was \$3,309 in 2016 and \$3,814 in 2015.

**NOTE 7 - CONCENTRATIONS**

Financial instruments which potentially subject Tibet House, Inc. to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

**NOTE 8 - GAIN CONTINGENCY**

There was an online art auction which took place during the year ended December 31, 2011 whereby Tibet House, Inc. was to receive a percentage of sales. Tibet House, Inc. did not receive its entitlement. Management has taken various steps to receive payment, but in the interim the person that held the funds died. A claim has been made against the estate. At this point, it is not possible to determine the amount of funds to be received, if any.